

CMP: INR 993

Rating: Buy

Target Price: INR 1,198

Stock Info

BSE 543358

NSE SANSERA

Bloomberg SANSERA IN

Sector Automobile & Ancillaries

Face Value (INR) 2

Equity Capital (INR Mn) 107

Mkt Cap (INR Mn) 53,226

52w H/L (INR) 1089/705

Avg Yearly Vol (in 000') 105

Shareholding Pattern %

(As on Dec, 2023)

Promoters 35.05

DIs 22.73

FIs 28.22

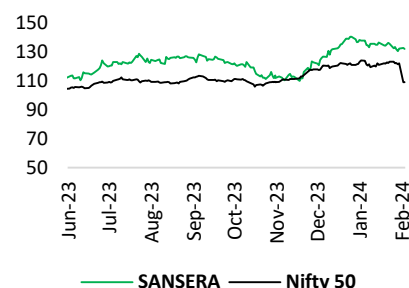
Others 14.00

Stock Performance (%) 1m 3m 12m

Sansera -4.1 16.8 32.2

Nifty -0.6 11.8 22.3

Sansera Vs Nifty



Sansera engineering reported strong set of numbers due to growth in the international business. Consolidated revenue from operations grew by +~28% YoY/2.9% QoQ stood at INR 7,126 mn in Q3FY24 above our estimate of INR 7,004 mn led by growth in the international business. EBITDA for the quarter stood at INR 1,207 Mn against our estimate of INR 1,224 Mn registered growth of 39% YoY/ 2.5% QoQ. The company's EBITDA margin expanded by 138 bps YoY/down 6bps QoQ to 16.9%. (Our estimate of Margin 17.5%). Net profit grew by 47% YoY/2.7% QoQ of INR 488 mn in Q3FY24 above our estimate of INR 480 Mn.

Investment Rationale

Revolutionary Growth: Triumphs and Expansions in Premium Motorcycle Components: Record-breaking sales in two-wheeler components, primarily fueled by motorcycle parts, mark the highest quarterly achievement. The surge is amplified by the premiumization trend, now manifesting in successful deliveries of these upgraded models. This success is further propelled by the robust performance of major two-wheeler clients and an expanding share in premium model-centric business, encompassing partnerships with renowned brands like Royal Enfield, TVS, BMW, Harley Hero, and Triumph Bajaj.

Strategic Shifts: Aluminum Dominance and Evolving Electric Vehicle Landscape: Fueling Premium Models and Light-weighting Trend. While xEV Product Share Dips to 3.8% due to Domestic Scaling, New American EV Partnership Spurs Recovery. Non-Automotive Segment Surges, Contributing 25.5% Growth and Maintaining Q3 Momentum.

Robust Growth: New Business Order book Soars to INR 20.4 Bn, Surpassing 85% of Previous Year's Total Revenue. Significant Inflow in Non-Auto and Auto-ICE Segments, Showcasing Expertise. Non-Auto Commands 58% of New Orders, with Tech Agnostic Products Contributing 14% to Incremental Quarter Orders.

Outlook and valuation

We believe in strong double-digit growth in the two-wheeler segment and the maturation of tech-agnostic products toward higher cubic centimeters. FY25 anticipates an upswing in Aerospace and Defence, despite a slight delay in one order. Off-Road is expected to contribute INR 1 billion in revenues. New capacity expansion focuses on fulfilling substantial orders, with Asset Turns estimated at 1x in Auto and 2x in Aerospace. Sansera is poised for a 2x growth compared to the industry, with 50% attributed to new components and 50% to underlying industry expansion.

We value the stock on a P/E (x) multiple of 18x to its FY26E earnings of INR 66.6 EPS to arrive target price of INR 1,198 and continue maintaining our Buy rating on the stock.

Exhibit 1 : Financial Performance

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoCE (%)	P/E (x)
FY22	19,890	3,336	1,305	25.3	16.8%	9.63%	39.3
FY23	23,418	3,805	1,497	27.7	16.2%	10.2%	35.8
FY24E	28,017	4,838	2,232	42.6	17.3%	12.46%	23.3
FY25E	32,085	5,664	2,729	52.0	17.7%	13.42%	19.1
FY26E	36,694	6,758	3,502	66.6	18.4%	14.84%	14.9

Source: Arihant Research, Company Filings

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Exhibit 2 : Q3FY24 - Quarterly Performance (Consolidated)

Quarterly Results					
Consolidated (INRm)	Q3FY24	Q2FY24	Q3FY23	QoQ%	YoY%
Net Sales	7,126	6,929	5,573	2.9%	27.9%
Cost of material consumed	3,138	3,164	3,135	-0.8%	0.1%
Changes in inventories	(50)	(165)	(265)	-69.9%	-81.3%
COGS	3,089	3,000	3,339	3.0%	-7.5%
GP	4,038	3,929	2,234	2.8%	80.7%
Employees benefits expense	954	934	795	2.1%	19.9%
Other expenditure	1,877	1,817	572	3.3%	228.2%
EBITDA	1,207	1,178	867	2.5%	39.2%
Depreciation	378	371	331	2.1%	14.4%
EBIT	829	807	536	2.7%	54.6%
Other Income	13	10	67	32.8%	-80.4%
Finance costs	175	180	162	-2.5%	8.4%
PBT	666	637	441	4.6%	51.1%
Current Tax	180	139	23	29.2%	676.1%
Deferred tax	(2)	22	86	-109.3%	-102.4%
Tax	178	162	109	10.1%	62.8%
Adjusted PAT	488	475	332	2.7%	47.3%
Non-controlling interests	3.7	5.7	2.3	-34.7%	63.7%
Reported PAT	484.6	469.7	329.3	3.2%	47.2%
EPS	9.0	8.8	5.9	2.0%	52.4%
Margins	Q3FY24	Q2FY24	Q3FY23	QoQ%	YoY%
Gross margins	43.3%	43.3%	59.9%	5Bps	-1657Bps
EBITDA	16.94%	17.00%	15.55%	-6Bps	138Bps
Adjusted PAT	6.9%	6.9%	5.9%	-1Bps	90Bps
Tax Rate	26.7%	25.4%	24.8%	134Bps	191Bps
Effective Tax Rate	26.7%	25.4%	24.8%	134Bps	191Bps
Cost Analysis					
RM/Net Sales	44.03%	45.67%	56.26%	-105Bps	-268Bps
Other Exp/Net Sales	26.34%	26.23%	10.26%	119Bps	1727Bps
Staff cost/Net sales	13.39%	13.48%	14.27%	-30Bps	137Bps

Source: Arianth Research, Company Filings

Sales mix (%)	Q3FY24	Q3FY24	Q2FY24
Auto – ICE	76.10%	76.40%	75.60%
Auto-TechAgnostic	7.90%	4.80%	7.30%
xEV	3.80%	4.60%	4.60%
Non-Auto	12.20%	12.50%	12.50%
By Geographies	Q3FY24	Q3FY24	Q2FY24
India	68.30%	69.20%	71.30%
Europe	18.10%	19.10%	16.30%
USA	11.00%	7.60%	9.50%
Other Foreign Countries	2.60%	4.20%	2.90%
International	31.70%	30.80%	28.70%
Exports from India	25.00%	23.10%	23.10%
Sweden Sales	6.70%	7.70%	5.60%
Total	100.00%	100.00%	100.00%
Auto-Tech Agnostic	7.30%	7.30%	7.30%
Auto-TechAgnostic&xEV	7.30%	7.30%	7.30%
xEV	4.60%	4.60%	4.60%

Source: Arianth Research, Company Filings

Sansera Engineering Q3FY24-Conference Call Highlights

- Non-auto is expected to pick up orders from larger engine categories. A&D would grow 45-50% on a y/y basis.
- Expecting double-digit growth in the 2W segment. Tech-agnostic products are maturing toward higher-end cc.
- FY24 has been strong for the company. The auto industry has witnessed a lot of traction in terms of growth in content per vehicle. Similarly, A&D OEMs are expanding their manufacturing footprint in India. Recent awards by Honda.
- For Q3 Auto ICE 28% y/y primarily driven by 2W and PV segments. Motorcycle components had massive growth backed by growing premium share. TVS, RE, Triumph and all other premiums are supplied by Sansera. The PV segment contributed 22% and 36% y/y growth. Wallet share is expected to improve. Total Auto ICE at 76.1% (37.1% Motorcycle, Scooter 5.7%, PV 21.9%, CV 10.7%).
- Auto Tech and xEV at 11.7% of total revenues. 9M growth at 41% y/y. 71% came from Auto Tech (aluminium components) and xEV has come down to 3.7% as it scaled down one customer.
- The non-auto segment grew 25.5% (12.2% of revenues). A&D contributed 4.4% (delays in one order, expected to start this quarter but would be ramped up in FY25). Off Road is expected to do INR 1bn revenues. Agri at 1.6% and other at 1.6%.
- INR 20.4bn is the new order book and is ~85% of its top line which is yet to enter mass production.
- **Capex:** The new machining facility is ready. The new forgings plant at the Bidadi plant has commenced (Q2FY25 is the target) and will commence a new 4000-ton press.
- Top 5 customers have come down to 48% from 53% last year.
- **Order Book:** The Indian auto-company industry has witnessed a steady inflow of orders. Most orders would mature post FY27.
- **Margins:** Margins (ex of Sweden), Europe is seeing some slowdown due to the reorganizing of 1 large supplier as its SOB was marginally reduced. Europe would be flat in CY25. The Fitwell order pipeline is good. One of its customers had a 1% growth which led to tepid performance.
- Components category is expected to increase. The 4000ton new press line would be 50% capacity is forging bigger connecting rods and 50% for bigger aluminium components. Mainly for larger engines towards the non-auto space. Plans to add more presses post Q2FY25.
- INR 3650mn coming from xEV (Domestic + Exports) based on the export order book.
- Operating leverage would come through (~0.5%) over the next 1-2 years as the motorcycle industry comes back to normal.
- Most new capacity building is going towards big new orders. Asset Turns would be 1x in Auto and 2x in Aerospace.
- Sansera would grow 2x of the industry. 50% of growth would come from new components, and 50% from underlying industry growth.
- **Aluminium forgings:** 9M, INR 260 Mn of revenues. Adding 2 new presses, and 3 more would be added post FY25.
- Revenues for 9M is INR 1270 Mn for Sweden. Expects to do Rs160cr for FY24. EBITDA % was 1% for Q3.
- Tech Agnostic xEV components, more than 50% is exported and in line with export margins. There is headroom for improvements.
- A&D, towards the middle of FY27 revenues would peak. FY25 revenues at INR 1750 Mn.

Story in charts (INR in Mn)

Exhibit 4: Revenue growth led by healthy growth in domestic and international business

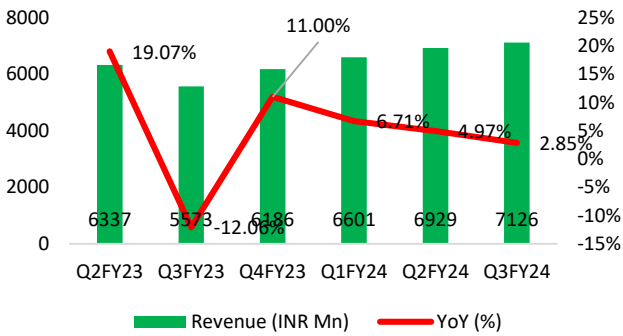


Exhibit 5: Margins to improve in coming 2 years led by better export

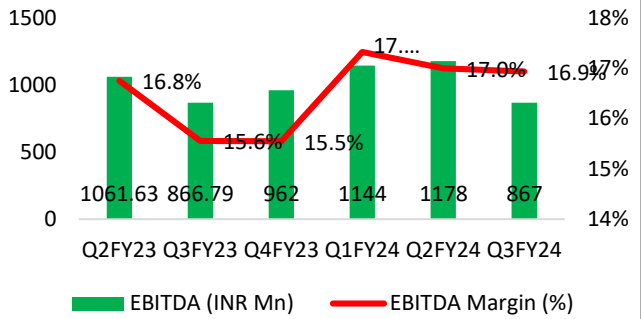


Exhibit 6: Strong profit growth to be seen on back of strong order book

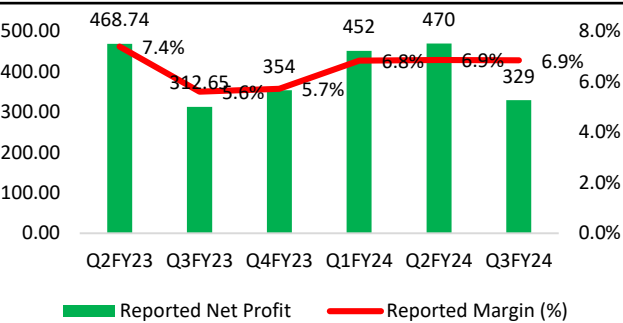


Exhibit 6: Visible growth in the revenue contribution from xEV segment

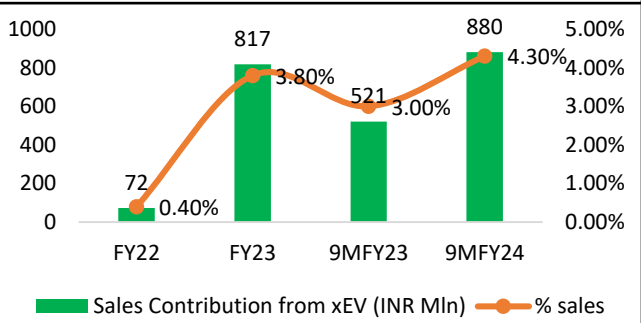


Exhibit 7: Orderbook (peak annual revenues for new business); 7 Bn worth of incremental orders in 9MFY24

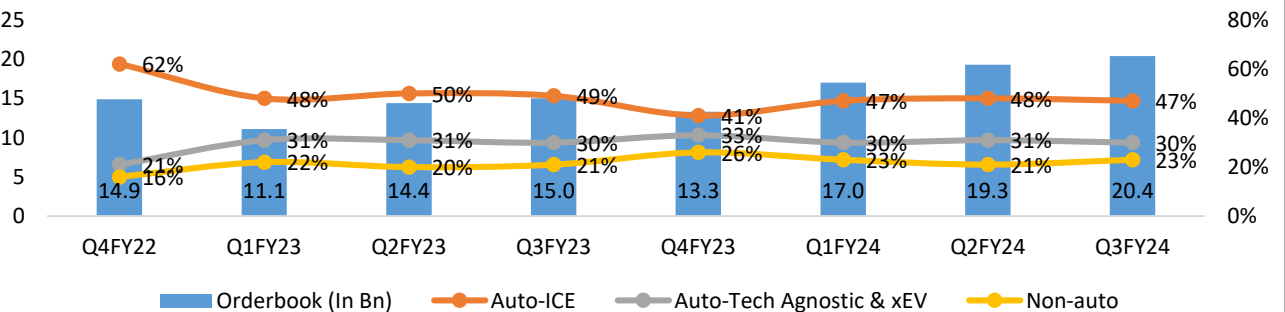


Exhibit 8: Improving earning trends

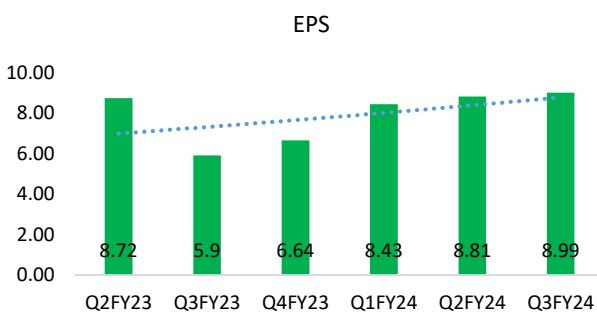
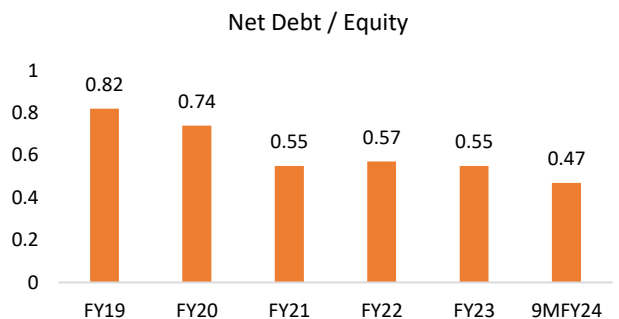


Exhibit 9: Continue improvement in the Net Debt/Equity



Source: Company, Arianth Research

Key Financials

Income Statement Consolidated (INR Mn)					
Year End-March	FY22	FY23	FY24E	FY25E	FY26E
Revenues	19,890	23,418	28,017	32,085	36,694
<i>Change (%)</i>	28.4%	17.7%	19.6%	14.5%	14.4%
Cost of Goods Sold (COGS)	11,896	14,162	12,221	14,117	16,167
Gross Profit	7,994	9,256	15,796	17,967	20,528
Employee costs	2,774	3,180	3,711	4,171	4,768
Other expenses	1,885	2,272	7,246	8,132	9,002
Total Expenses	16,554	19,613	23,179	26,420	29,936
EBITDA	3,336	3,805	4,838	5,664	6,758
EBITDA Margin	16.77%	16.25%	17.27%	17.65%	18.42%
Depreciation	1,197	1,301	1,433	1,565	1,624
EBIT	2139	2504	3406	4100	5134
Interest	510	615	635	666	677
Other Income	155	178	191	209	239
PBT	1,784	2,067	2,962	3,642	4,696
Exceptional Items	-	-	-	-	-
PBT after exceptional Items	1,784	2,067	2,962	3,642	4,696
Tax	465	549	708	892	1,172
<i>Rate (%)</i>	26.1%	26.0%	26.0%	26.0%	26.0%
PAT	1,305	1,497	2,232	2,729	3,502
PAT Margin (%)	6.6%	6.4%	8.0%	8.5%	9.5%

Cash Flow Statement Consolidated (INR Mn)					
Year End-March	FY22	FY23	FY24E	FY25E	FY26E
PBT	1,784	2,067	2,962	3,642	4,696
Cash From Operating Activities	2,560	2,131	2,599	3,430	4,581
Tax	(429)	(556)	(708)	(892)	(1,172)
Net Cash From Operations	2,131	2,599	3,430	4,581	5,078
Capex	(2,668)	(2,420)	(3,000)	(3,000)	(3,000)
Cash From Investing	(2,553)	(2,409)	(3,000)	(3,000)	(3,000)
Borrowings	6,451	7,121	7,121	7,121	7,121
Finance cost paid	510	615	635	666	677
Div. (incl. buyback & taxes)	0	(105)	(159)	(185)	(212)
Cash From Financing	465	(62)	(645)	(930)	(940)
Net Increase/ Decrease in Cash	43	128	-215	652	1137
Cash at the beginning of the year	365	383	530	315	967
Cash at the end of the year	383	530	315	967	2,105

Balance Sheet Consolidated (INR Mn)					
Year End-March	FY22	FY23	FY24E	FY25E	FY26E
Sources of Funds					
Share Capital	104	106	107	107	107
Reserves & Surplus	10,130	11,573	13,858	16,587	20,089
(b) Instruments entirely equity in nature	-	-	-	-	-
(d) non-controlling interest	119	140	140	140	140
Net Worth	10,353	11,820	14,105	16,834	20,336
Loan Funds	6,451	7,121	7,121	7,121	7,121
MI, Deferred Tax & other Liabilities	642	689	689	689	689
Total Equity and Liabilities	22,210	24,629	27,333	30,547	34,600
Application of Funds					
Gross Block	15,571	18,071	21,071	24,071	27,071
Less: Depreciation	4,530	5,614	7,047	8,612	10,236
Net Block	11,041	12,457	14,024	15,459	16,835
CWIP	1,224	757	757	757	757
Other Non-current Assets	209	314	314	314	314
Other Current Assets	347.2	263.0	263.0	263.0	263.0
Net Fixed Assets	12,822	13,790	15,357	16,792	18,168
Investments	105	105	105	105	105
Debtors	4,086	4,327	5,214	5,882	6,727
Inventories	2,776	3,710	4,375	4,835	5,529
Cash & Bank Balance	383	496	315	967	2,105
Loans & Advances & other CA	217	198	198	198	198
Total Current Assets	7,945	9,144	10,517	12,296	14,973
Current Liabilities	7,377	8,152	8,572	9,058	9,609
Provisions	193	55	55	55	55
Net Current Assets	568	992	1,945	3,238	5,364
Total Assets	22,210	24,629	27,333	30,547	34,600

Key Ratios					
Year End-March	FY22	FY23	FY24E	FY25E	FY26E
Per share (INR)					
EPS	25.3	27.7	42.6	52.0	66.6
BVPS	199	223	266	318	384
Valuation (x)					
P/E	39.3	35.8	23.3	19.1	14.9
P/BV	5.0	4.4	3.7	3.1	2.6
Return ratio (%)					
EBITDA Margin	16.77%	16.25%	17.27%	17.65%	18.42%
PAT Margin	6.56%	6.39%	7.97%	8.50%	9.54%
ROE - Pre tax	12.74%	12.84%	15.98%	16.34%	17.33%
ROCE - Pre tax	9.63%	10.17%	12.46%	13.42%	14.84%
Leverage Ratio (%)					
Total D/E	0.62	0.60	0.50	0.42	0.35
Turnover Ratios					
Asset Turnover (x)	2.5	2.6	2.7	2.6	2.5
Inventory Days	51	58	57	55	55
Receivable Days	75	67	67	66	66
Payable days	45	43	43	43	43

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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